

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 SPC-03 STR-08 TRSE-00 CIEP-02

OMB-01 PA-04 PRS-01 USIA-15 DRC-01 /100 W

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R 130038Z MAR 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 618

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E.O. 11652: N/A

TAGS: ETRD, MX

SUBJECT: IN-BOND INDUSTRIES MAY FACE COTTON TEXTILE QUOTA
RESTRICTIONS

1. BECAUSE OF COTTON TEXTILE QUOTAS UNDER BILATERAL AGREEMENT, IN-BOND MANUFACTURERS (MAQUILADORAS) OF TROUSERS AND BLUEJEANS HAVE FOR PAT SEVERAL YEARS SWITCHED FROM USE OF COTTON FABRIC TO BLEND OF 50 PERCENT COTTON AND 50 PERCENT SYNTHETIC FIBERS. AS THE WORLD PRICE FOR SYNTHETIC FIBERS WAS HIGHER THAN THE PRICE FOR COTTON, THE CHIEF VALUE WAS SYNTHETICS AND THE GARMENTS ENTERED THE US WITHOUT ANY QUOTA RESTRICTIONS. EMBASSY HAS BEEN INFORMED BY INDUSTRY SOURCES THAT WITH WORLD PRICE OF COTTON RAPIDLY RISING AND SYNTHETIC FIBERS RELATIVELY STABLE, POINT MAY BE REACHED WITHIN THE CURRENT MONTH IN WHICH CHIEF VALUE OF 50-50 BLEND WOULD BE COTTON AND THEREFORE SUBJECT TO EXISTING QUOTA. WITH CATEGORIES 50/51 CURRENTLY OVERSUBSCRIBED BY DOMESTIC MEXICAN MANUFACTURERS, MAQUILADORAS PRODUCING ITEMS UNDER THIS CATEGORY WOULD BE FORCED TO CLOSE. ACCORDING TO MAQUILADORAS, THEY ARE UNABLE TO SWITCH TO BLENDS WITH HIGHER SYNTHETIC FIBER CONTENT BECAUSE OF UNAVAILABILITY SUCH BLENDS DUE TO INTERNATIONAL PETROLEUM SHORTAGE.

2. AFFECTED FIRMS ARE MEETING WITH GOM OFFICIALS
THIS WEEK TO ADVISE OF IMPENDING "CRISIS" WHICH WOULD
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PUT MANY HUNDREDS OF MEXICANS OUT OF WORK. MAQUILADORAS

WILL ASK THE GOM TO REQUEST IMMEDIATE CONSULATION WITH USG
TO ADJUST SUB-GROUP LEVELS TO PERMIT SHIPMENTS UNDER
CATEGORIES 50/51, BORROWING FROM OTHER CATEGORIES IN GROUP
III, AND/OR TO BORROW AGAINST NEXT YEAR'S QUOTA.

3. COMMENT: EMBASSY IS UNABLE TO PREDICT HOW GOM WILL
RESPOND TO MAQILADORA REQUEST. NATIONAL NON-IN-BOND
MANUFACTURERS WOULD WANT TO TAKE ADVANTAGE OF ANY INCREASE
CATEGORIES 50/51 AS RESULT ADJUSTMENT OR BORROWING.
MOREOVER, DOMESTIC MANUFACTURERS OF TROUSERS AND BLUE-
JEANS USING 50-50 BLEND WILL ALSO BE FACED WITH SAME
NEW RESTRICTION AS MAQILADORAS SHOULD IT COME AND WILL
ALSO PRESS FOR INCREASED "EMERGENCY" QUOTA THAT CATEGORY.
IT CAN BE EXPECTED THAT GOM WILL FAVOR FORMER OVER LATTER.
JOVA

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILE INDUSTRY, COTTON, CLOTHING, EXPORT QUOTAS, TRADE CONTROLS, PRICE TRENDS, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MEXICO02188
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740347/aaaabrzu.tel
Line Count: 76
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by boyleja>; APPROVED <18-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IN-BOND INDUSTRIES MAY FACE COTTON TEXTILE QUOTA RESTRICTIONS
TAGS: ETRD, MX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005